

**Fiscal Year
Ended March 2011**

Results Briefing

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President & Representative Director
Tsumura & Co.**

May 13, 2011

Contents

- ◆ Fiscal Year Ended March 2011
Overview of Results (Including impact of the earthquake)
- ◆ Forecast for the Fiscal Year Ending March 2012
(Including impact of the earthquake)
- ◆ Progress of Actions for the Six Goals

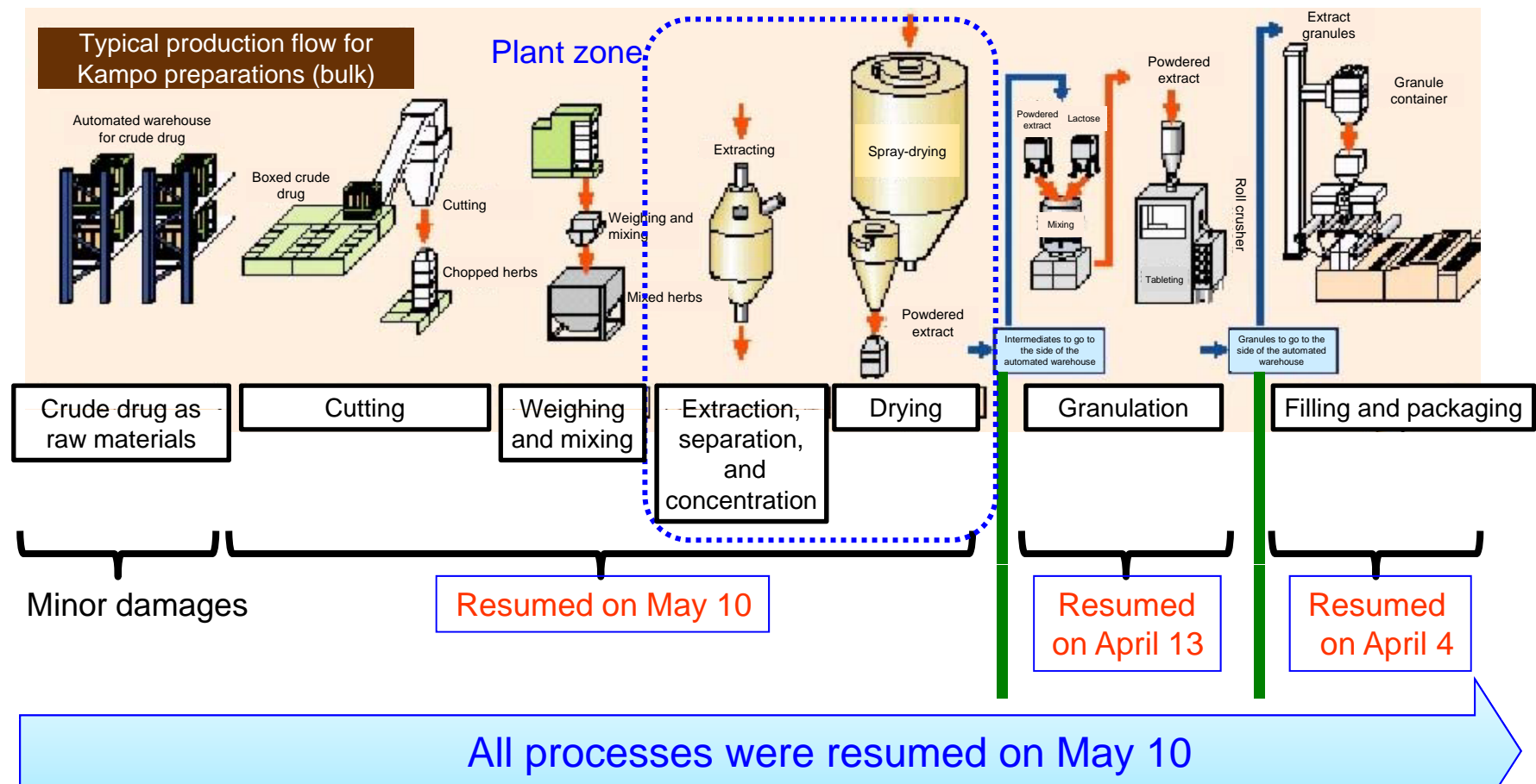
Impact of the Great East Japan Earthquake - 1

Ibaraki Plant

Shut down on March 11

(Location: 3586 Yoshiwara, Ami-machi, Inashiki-gun, Ibaraki)

- Operation resumed in stages on a process-by-process basis
- Operation fully resumed on May 10



Impact of the Great East Japan Earthquake -2

Damage and recovery at facilities other than Ibaraki Plant

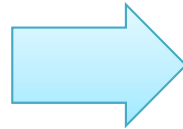
Facilities	Impact
Ishioka Center (Location: 7-2, Kashiwabara, Ishioka-shi, Ibaraki)	Suspended for inspections and other purposes. Operations at certain crude drug processing lines was resumed on March 24. All functions were resumed on April 11.
Laboratory (Location: 3586 Yoshiwara, Amimachi, Inashiki-gun, Ibaraki)	Checks of precision equipment were conducted. Quality tests of Kampo preparations were resumed on March 22. Other tests were gradually resumed and the entire facilities had returned to normal operation by March 28.
East Japan Logistic Center (Location: 1584-8, No, Gyoda-shi, Saitama)	No serious damage. Time of operation adjusted for the rolling blackout.

Impact of the Great East Japan Earthquake -3

■ Breakdown of extraordinary loss <Disaster loss>

[FY 3/2011]

Damage to facilities, etc. are covered by the insurance. The loss is only for damage not covered by the insurance.



Contents	Amount
Damage at Ibaraki Plant not covered by the insurance	¥50 million
Damage to other facilities, etc.	¥130 million
Fixed costs during the shutdown period	¥350 million
Total disaster loss	¥530 million

The total loss due to damage to equipment, etc. at Ibaraki Plant, which is being estimated now, is expected to be below ¥1.0 billion.

Measures for Power Outages

Measures for reducing power consumption at Ibaraki Plant

Supply sources	Amount of power needed for production
Power purchase	6,200kW
Power generators	2,100kW
Total	8,300kW

25% reduction
→ Equivalent to
1,550kW

Measures for dealing with the power outages

Measures	Amount supplemented
Power-saving measures	620kW
Power generators (owned by the Laboratory)	400kW
Power generators (rental)	810kW
Total	1,830kW

Able to produce as scheduled.

Fiscal Year Ended March 2011 Overview of Results

Overview of Results (Consolidated)

Both sales and profit/income exceeded projections

(Million yen)

	Plan	3/2011	Difference from plan		Year on year	
			Amount	Change (%)	Amount	Growth (%)
Net sales	93,100	94,778	1,678	1.8%	3,845	4.2%
Operating profit	19,600	21,553	1,953	10.0%	2,614	13.8%
Recurring income	19,800	21,725	1,925	9.7%	2,653	13.9%
Net income	11,500	12,945	1,445	12.6%	2,241	20.9%

	Plan	3/2011	3/2010
Operating profit margin	21.1%	22.7%	20.8%
ROA (Return on assets)	13.9%	15.6%	14.5%
Dividend (Dividend per share)	56 yen	58 yen	46 yen

The year-end dividend was revised upwards by 2 yen, to 30 yen per share. The annual dividend is 58 yen per share.

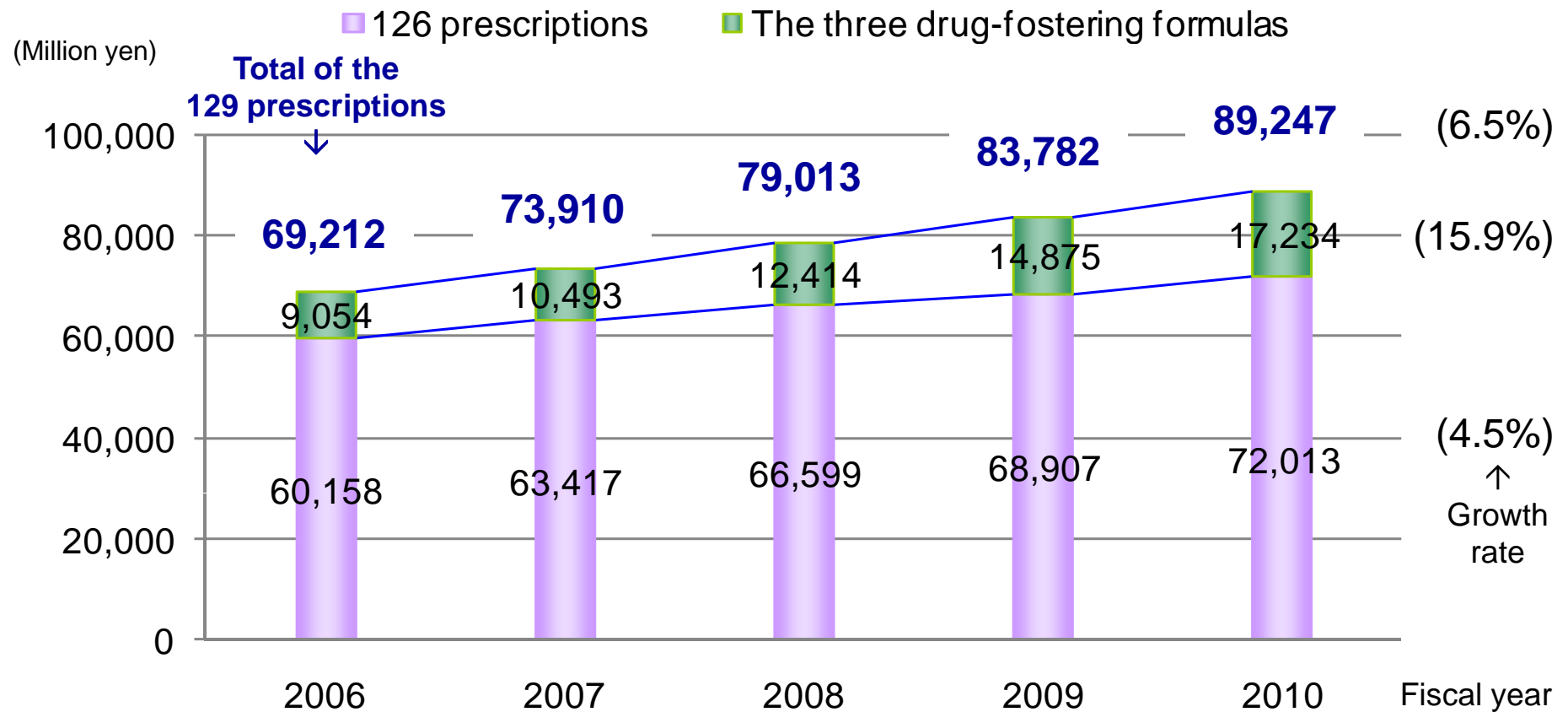
Trend of Net Sales of Tsumura Prescription Kampo Preparations (In Terms of Shipment)

Net sales of the 129 prescriptions of Tsumura prescription Kampo formulations continue to grow steadily.

FY2010

→ ¥89.2 billion (up 6.5%)

→ Sales of 105 prescriptions increased

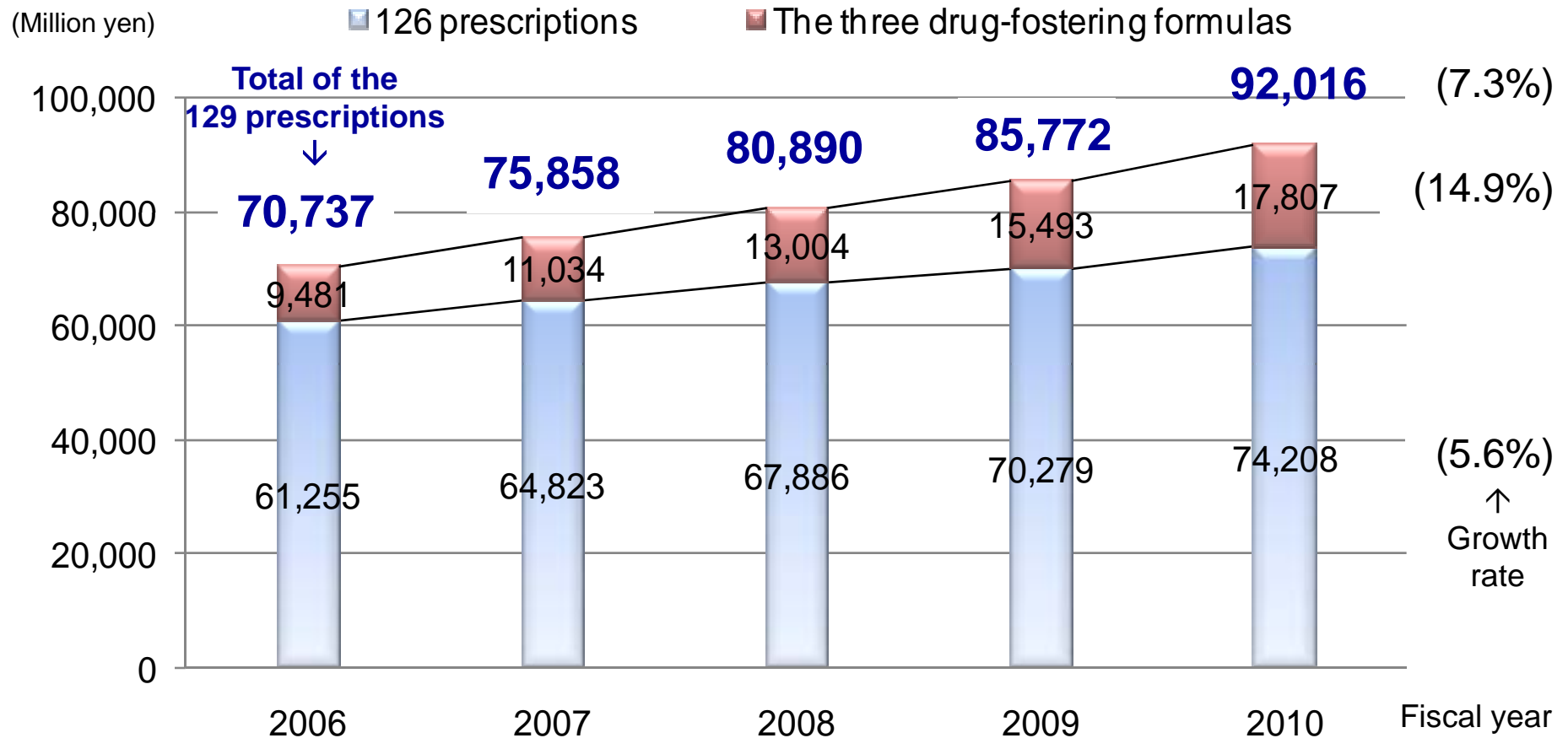


Trend of Net Sales of Tsumura Prescription Kampo Preparations (Actual Sales)

FY2010

→ ¥92.0 billion (Up 7.3%)

→ Sales of 111 prescriptions increased



Forecast for the Fiscal Year Ending March 2012

FY2011 Projection -1 (Assumed Net Sales)

It is assumed that the growth rate of prescription Kampo preparations in FY2011 will be **9.4%** in terms of quantity.

[Results]

FY2010 Rate of growth of < prescription Kampo preparations >

Actual Figures	Sales	Shipments
Quantity	12.4%	10.1%
Amount	7.3%	6.5%

Actual performance value
(In actual sales in terms of quantity)

3/2011	First Half	Second Half	Full Year
Actual Figures	9.7%	14.8%	12.4%
Changing factors	Rebound: -1.2p Seasonal influence: +0.7p	Reluctance in buying: -1.3p Seasonal influence: -0.8p Increase in demand due to the earthquake: -3.2p	Rebound & reluctance in Buying: -1.3p Seasonal influence: -0.0p Increase in demand due to the earthquake: -1.7p
Actual Value	9.2%	9.5%	9.4%

FY2011 Projection -2

(Million yen)

	Original plan	Revised plan	Difference from plan		Year on year	
			Amount	Change (%)	Amount	Growth (%)
Net sales	100,000	100,400	400	0.4%	5,621	5.9%
Operating profit	23,400	23,400	0	0	1,846	8.6%
Recurring income	23,600	23,600	0	0	1,874	8.6%
Net income	13,800	13,600	-200	-1.4%	654	5.1%
R&D expenses	4,300	4,600	300	7.0%	476	11.6%
Capital investments	11,400	12,300	900	7.9%	7,035	133.7%
Operating profit margin	23.4%	23.3%	-	-	22.7%	-
ROA (Return on assets)	15.7%	16.1%	-	-	15.6%	-
Dividend (Dividend per share)	-	60 yen	-	-	58 yen	Up 2 yen

FY2011 Projection -3

Compared with the original plan:

Item	Difference from the projection (Million yen)	Details
Net sales	400	The rate of growth of prescription Kampo preparations was 9.4% in volume terms
Cost of sales	200	The cost of sales ratio rose by 0.1 percentage point (31.4% → 31.5%) Due to unrealized profit and increase of depreciation
SG&A	200	The ratio of selling, general and administrative expenses was on the same level at 45.2%.
Operating profit	0	Operating margin: 23.4% → 23.3%
Recurring income	0	-
Net income	-200	The amount of disaster loss (extraordinary loss) is about 480 million yen.

Breakdown of the disaster loss

Fixed costs during the shutdown period

¥270 million

Rents for power generators

¥210 million

Capital Investments (Difference from Projection)

Cause

Design review for productivity improvement
→ Delayed start of the construction of facilities

(Billion yen)

	3/2011	3/2012
Original plan (As of May 2010)	8.5	11.4
Result and prospect	Results 5.2	Plan 12.3
Difference	-3.3	0.9

(Billion yen)

Breakdown of the difference

	3/2011	3/2012
Ibaraki Plant (granulating building, etc.)	-0.9	-0.2
Shizuoka Plant (Granulating building, packaging building, etc.)	0.0	-1.8
Shanghai Plant	-0.8	0.1
Facilities for crude drug, or botanical raw materials (Ishioaka and Shenzhen)	-1.1	2.6
Others	-0.5	0.2
Total	-3.3	0.9

Breakdown of Capital Investments

Addition of new production facilities including buildings becomes necessary

Increase of crude drug storage capability also becomes necessary

FY2010

(Billion yen)

Contents	Amount
Ibaraki Plant (SD line, etc.)	3.0
Shizuoka Plant	0.3
Shanghai Plant	0.1
Facilities for crude drug (Ishioka and Shenzhen)	0.6
Others (Laboratory, etc.)	1.2
Total capital investment	5.2

FY2011

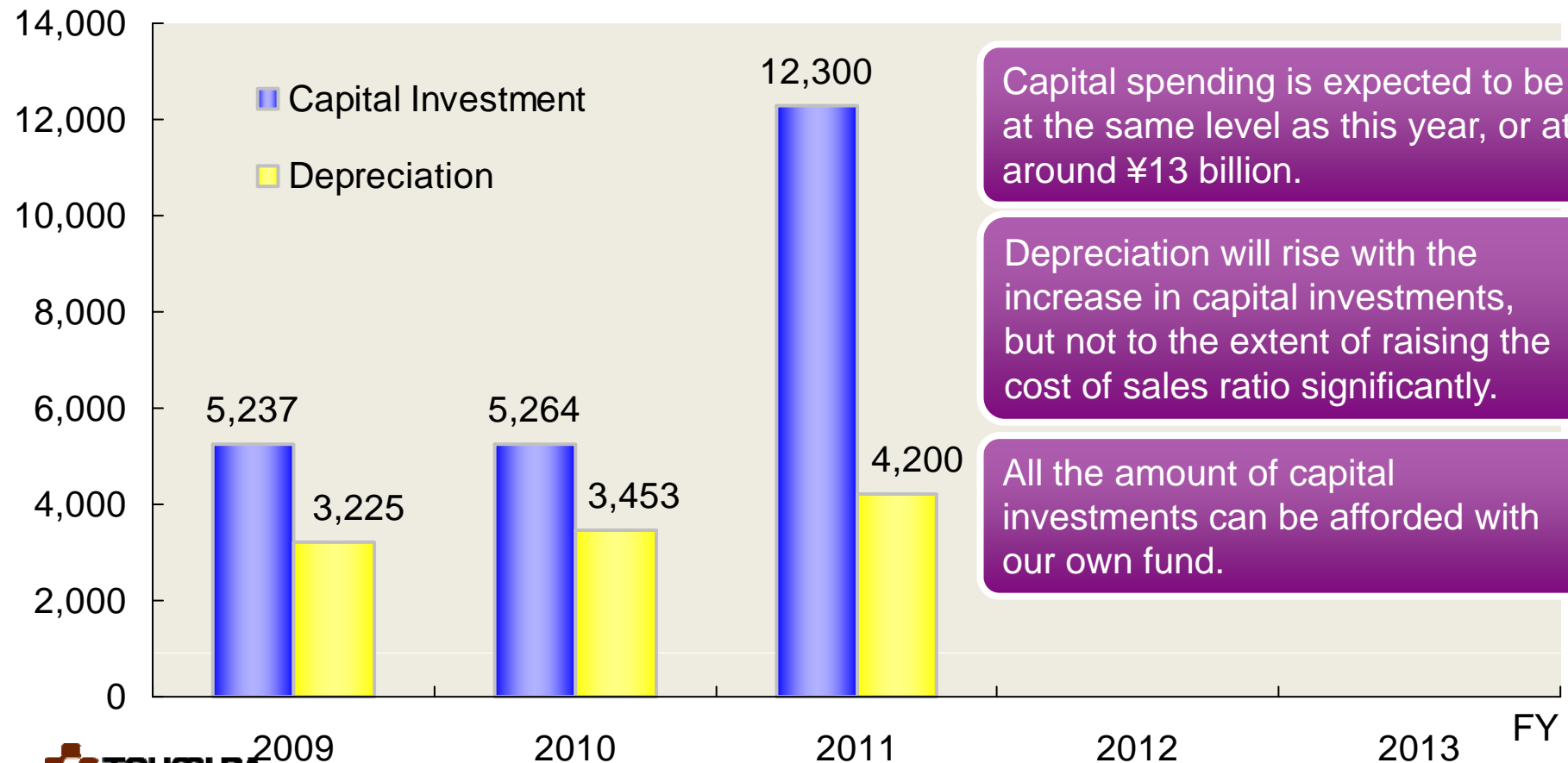
(Billion yen)

Contents	Amount
Ibaraki Plant (Granulating building, SD line, etc.)	3.5
Shizuoka Plant (Granulating and packaging building and crude drug storage)	1.6
Shanghai Plant (SD building)	2.2
Facilities for crude drugs (Ishioka)	1.4
Facilities for crude drugs (Shenzhen)	1.3
Facilities for crude drugs (Yubari)	0.7
Others (Laboratories, etc.)	1.6
Total capital investment	12.3

Ideas on Capital Investments and Depreciation for the Next Term (FY2012) and Beyond

- Prescription Kampo preparations are in the “growth stage.”
- Construction of facilities for increasing production and expanding crude drug storage are necessary.

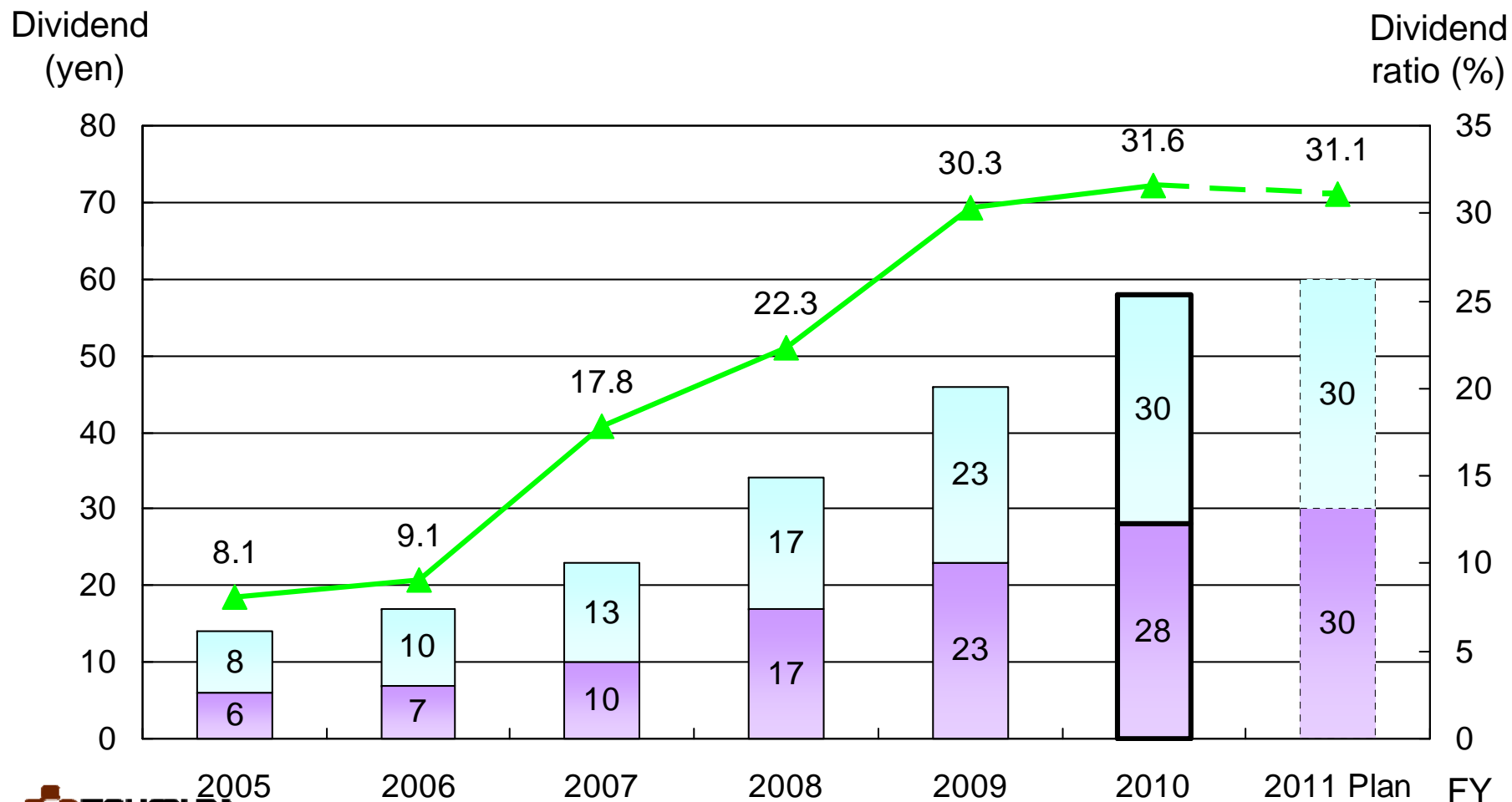
(Million yen)



Dividend

[Basic policy]

Aiming to ensure a stable higher dividend, under the perspectives of capital spending, the performance of each term, and the payout ratio, etc.



Use of Cash Flows

Cash flows from operating activities

Investments for further growth

◆ Capital investments

Increasing production facilities, crude drug storage, etc. based on a long-term demand forecast

Repayment of loans with interest

◆ Repayment

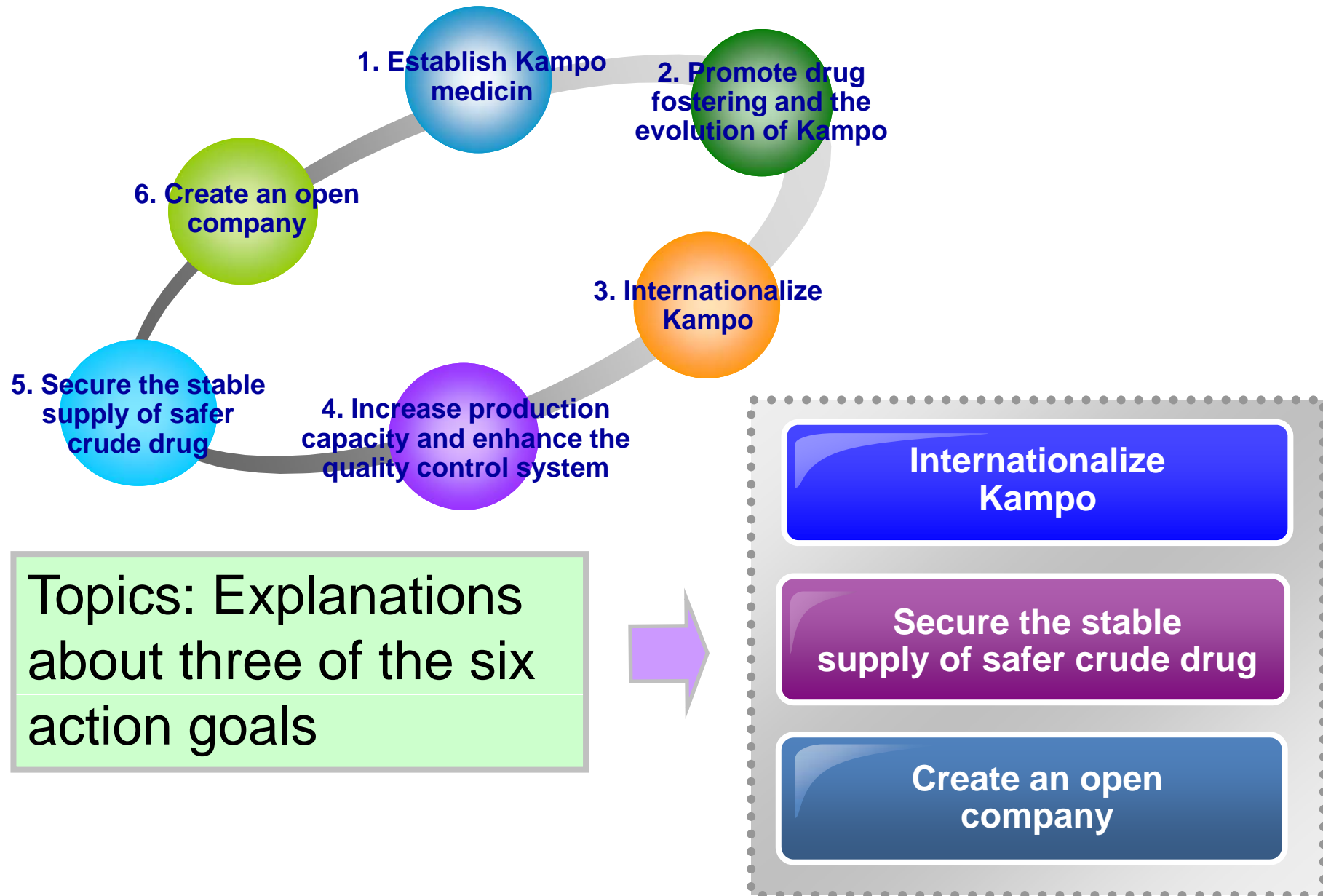
Making judgments on repayment as appropriate in consideration of capital investments, dividends, etc. (A repayment of approx. ¥2.0 billion is planned in FY2011.)

Return to shareholders

◆ Dividend

Aiming to ensure a stable higher dividend, under the perspectives of capital spending, the performance of each term, and the payout ratio, etc.

Goals and Action Plan



Topics: Explanations about three of the six action goals

TU-100 Daikenchuto Research and Development Schedule (Japan and US)

Fiscal year		2009	2010	2011	2012	2013	2014	2015	2016	2017
Japan (Drug fostering, etc.)	DKT Forum Colon Team	In progress: DB-RCT								
	DKT Forum Clinical Pharmacology Team	In progress: DB-RCT								
	DKT Forum Hepatic Surgery Team		In progress: DB-RCT							
	DKT Forum Stomach and Esophagus Team		In progress: DB-RCT							
	Pharmacokinetic Studies (STEP I & II)	Finished								
	Treatment Outcome Study (Development of Side Effects)			In progress						
US (Development)	Early Phase II (Healthy Subject)	Finished								
	Early Phase II (Patient) (1)		In progress							
	Early Phase II (Patient) (2)		In progress*							
	Hepatic enzyme induction test	Finished								
	Pharmacokinetic Studies (ADME)			In progress*						
	Intestinal bacteria (Basic)		In progress*							
	Late Phase II				Planned					
	Phase III							Planned		
Phase III							Planned			

Targeted disorder in US:
Post-operative ileus (POI)

Planned to be launched

- Items which were being prepared or planned as of the previous results briefing (November 2011) Implemented earlier than scheduled.

Expansion of application scope to be considered in the future



DB-RCT: Double blind – Randomized Controlled Trial
POI: Postoperative ileus

Research on Liquorice Cultivation



Issues concerning liquorice



Dependence on wild species

- Regulations
- Exhaustion of resources, etc.

Used for 94 Tsumura prescriptions of Kampo preparations
(approx. 70% of all)



Research on cultivation
commenced in China in 2001.

Establishment of Liquorice Cultivation Technology

Achievements in Research over Ten Years

Joint research partner	China Meheco Corporation/ Beijing University of Chinese Medicine
Period	2001 - 2010 (basic research), 2009 - 2011 (applied research)
Area/harvest	40 ha (Seeds sown in 2009) 6 ha of 40 ha harvested (Amount of crude drug harvested: 5.5 tons)
Research outcomes	<ol style="list-style-type: none">1. Succeeded in realizing high glycyrrhizic acid content → <u>Average: 3.5% (Minimum: 3.2%, Maximum: 4.0%)</u>2. Compliance with standards as a raw material of pharmaceutical products → <u>Compliance with all standards of Japanese Pharmacopoeia</u>3. Shorter growing season → <u>Harvested in fifteen months after seeding</u>4. Success in large-scale cultivation → <u>Improved cultivation efficiency enabled by automation</u>
Patent	Patent application in China → <u>License in China is free.</u>

Cultivation of Crude Drug in Laos (LAO TSUMURA)



Farm work in Laos



Farm work in Laos

Trade name	LAO TSUMURA CO., LTD.
Established	February 19, 2010
Main business	Cultivation and processing of crude drug
Farm area	Approx. 200ha. Planned to be expanded to 1,000ha in the future.

- Cooperation in school building construction of “Pokem Tsumura Friendship Junior High School”
 - Site: Laongam, Saravan province (crude drug cultivation area)
 - Completion ceremony: March 29, 2011

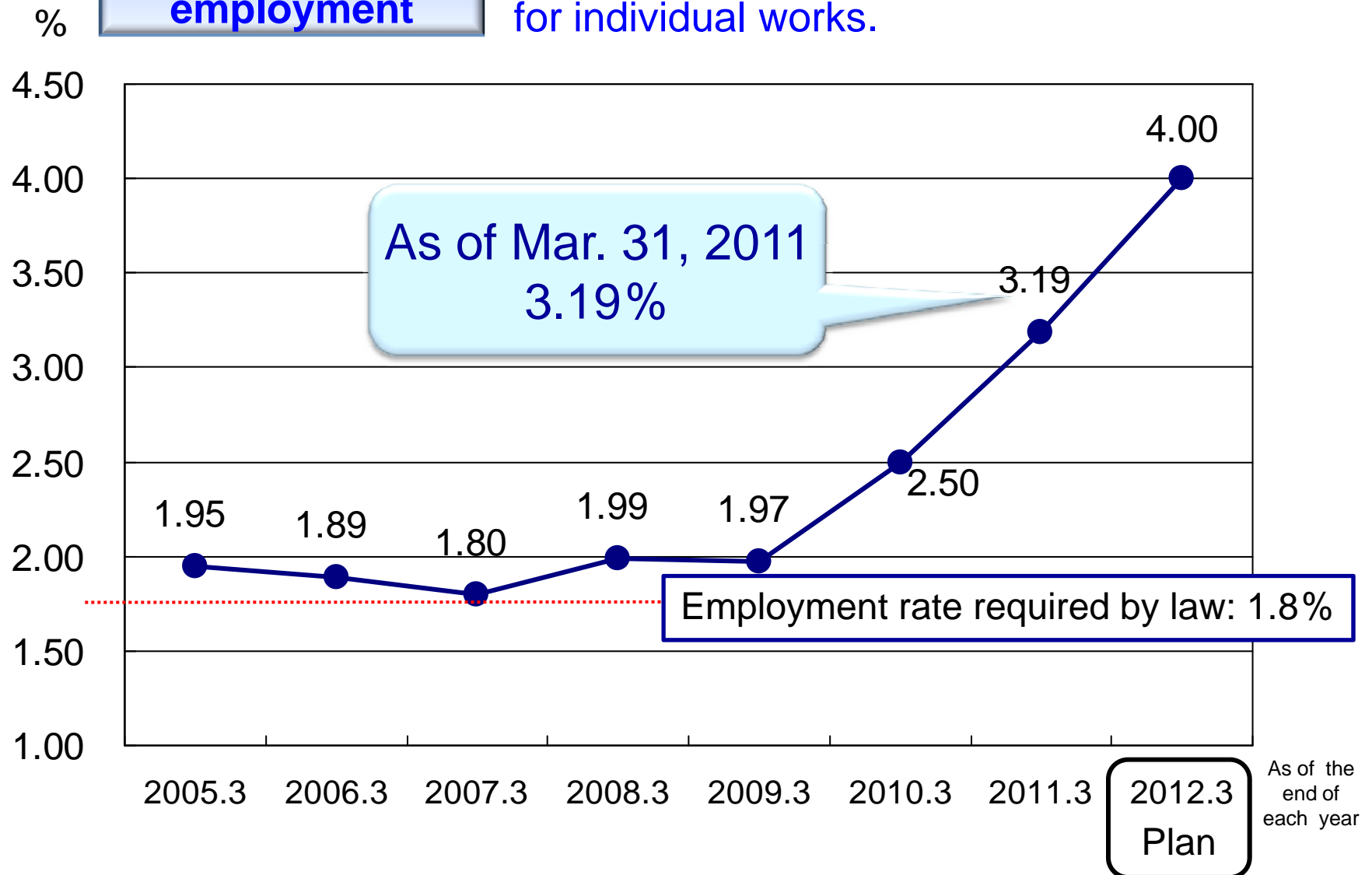


Pokem Tsumura Friendship Junior High School

Tsumura's Employment rate of Workers with Disabilities (Employment Measures)

**Diversity of
employment**

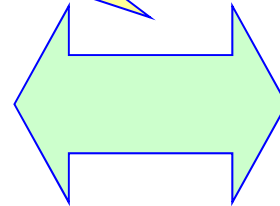
Various persons are employed as appropriate
for individual works.



Employment of Workers with Disabilities: Cultivation of Crude Drug

Concluded a consignment contract for the cultivation of crude drug.
Opportunities to be employed for crude drug cultivation are given to workers with disabilities.

Yubari Tsumura Co.,
Ltd.



“Harunire No Sato” social welfare corporation



Investment

“Temiru Farm”
farming corporation

Ishikari-shi, Hokkaido

Business description	Cultivation of crude drug
Number of employees	3 able-bodied workers, 10 workers with disabilities (plan)
Details of the crude drug cultivation	Test cultivation of crude drug (cnidium rhizome, perilla herb)

* Temiru Farm

A farming corporation established in 2010 by “Harunire No Sato” to help people with mental disabilities to become independent. “Harunire No Sato” is a social welfare corporation with 50 offices and facilities in Sapporo-shi and Ishikari-shi of Hokkaido



**Contribute to the availability of medicines
of unprecedented quality
by combining Kampo and Western medicine**

For further information, contact

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Notes

Data and information provided in this document include so-called forward-looking statements. Figures relating to forecasts show our judgments and assumptions based on information available and include risks and uncertainty. Actual results might therefore differ from expected figures.

The information on pharmaceuticals included is not intended as advertising or medical advice.

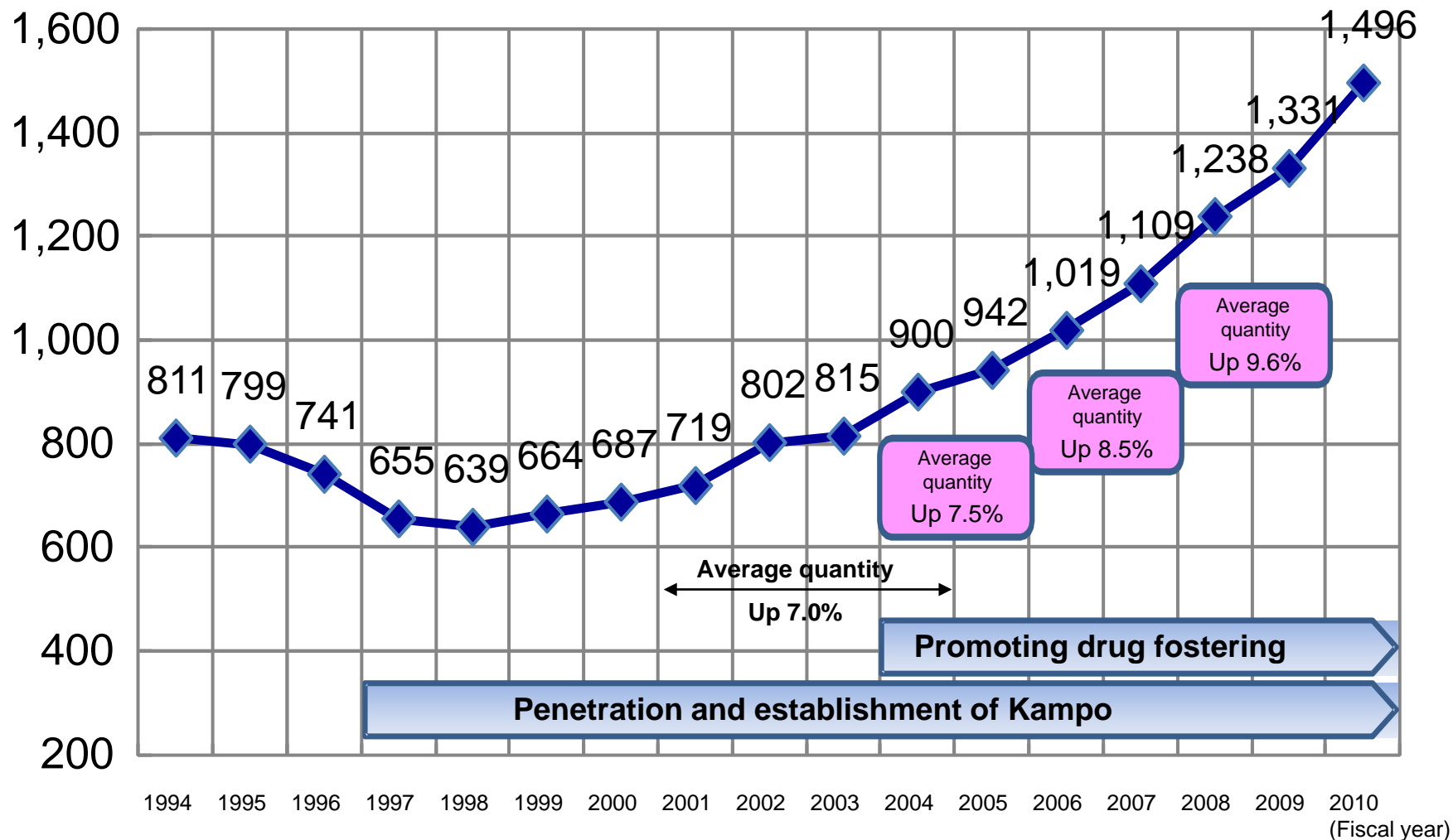
Reference

Attached to handouts

Results concerning Tsumura Prescription Kampo Preparations (in Actual Sales in Terms of Quantity)

A growth rate of 9% or higher has been maintained. **(Stable growth)**

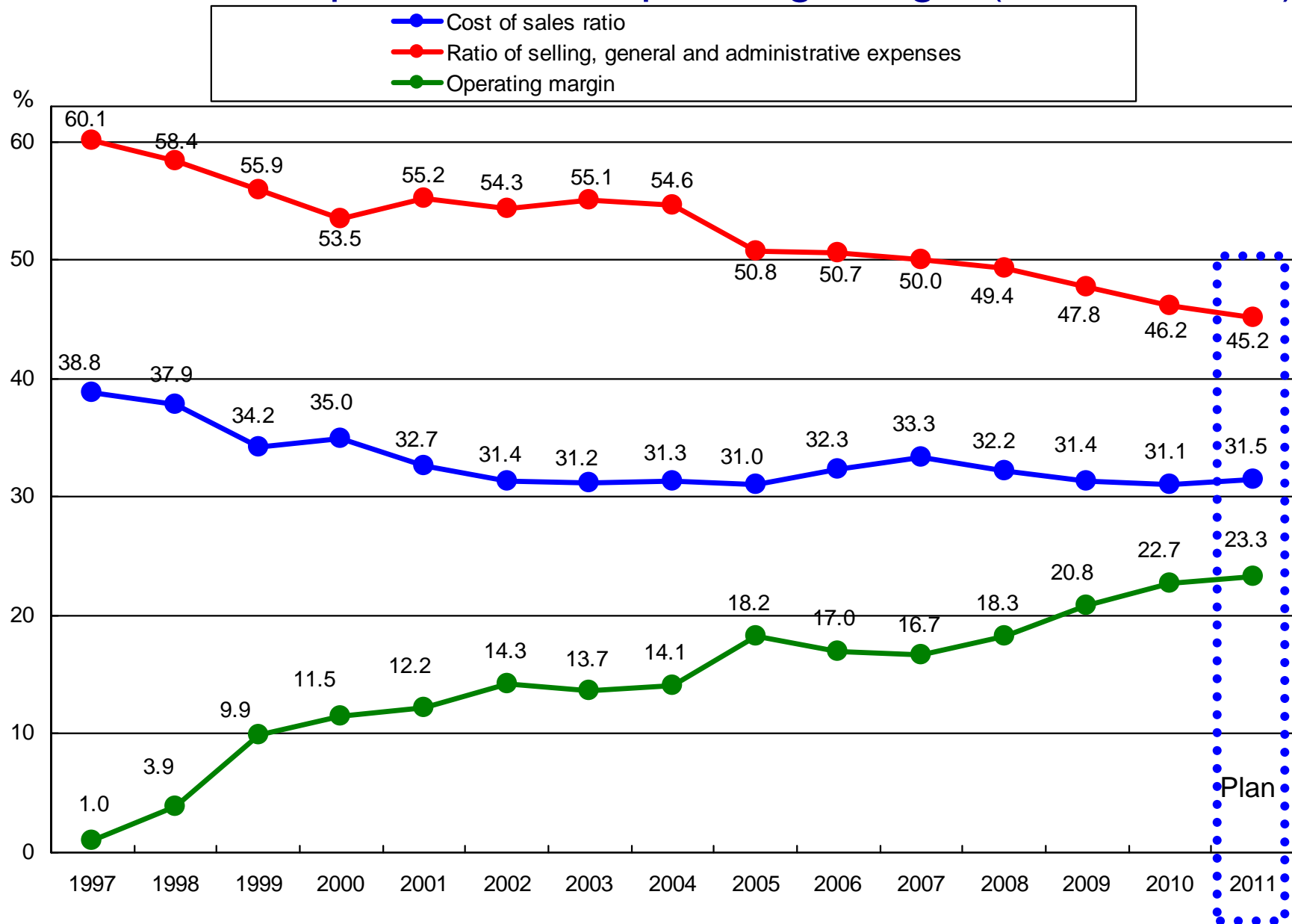
(10,000 preparations)



Top 10 Prescription Kampo Preparation in Terms of Net Sales

Rank	Name of Kampo preparations	Net sales (Million yen)	Change
1	Daikenchuto	7,960	7.2%
2	Hochuekkito	6,218	5.4%
3	Rikkunshito	5,288	20.4%
4	Yokukansan	3,984	30.5%
5	Kamishoyosan	3,653	4.7%
6	Goshajinkigan	3,531	2.7%
7	Bakumondoto	3,510	14.3%
8	Saireito	3,336	-0.5%
9	Shakuyakukanzoto	3,309	7.5%
10	Shoseiryuto	2,757	13.6%
Total of 129 prescriptions of Tsumura prescription Kampo formulations		89,247	6.5%

Trends of Cost of Sales Ratio, Ratio of Selling, General and Administrative Expenses, and Operating Margin (Consolidated)



Major New Facilities for Production of Kampo Preparations Planned Expansion/ Start of Operation

Schedule of Construction of New Production Facilities

	FY2009	FY2010	FY2011	
Powdered extract production process at Ibaraki	●—————●			Operations to commence in FY2011
Granulation process at Ibaraki		●—————●		Operations to commence in FY2012
Granulation and packaging processes at Shizuoka			●—————●	Operations to commence in FY2014
Powdered extract production process at Shanghai	●—————●			Operations to commence in FY2013
Storage of crude drug, etc. (Ishioka, Shenzhen, Yubari etc.)		●—————●		Operations to commence in FY2011 - FY2013

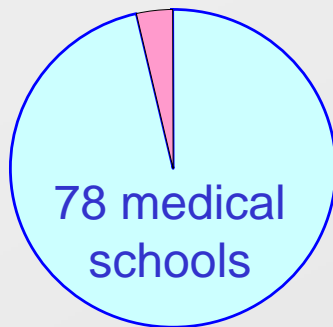
	FY2009	FY2011	FY2013
Powdered extract production capacity (per year)	3,300t	+750t (4,050t) at Ibaraki Plant	+700t (4,750t) at Shanghai Plant

Establishing Kampo Medicine - 1

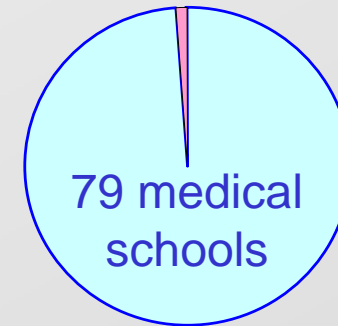
Progress in Kampo medicine education

As of March 31, 2011

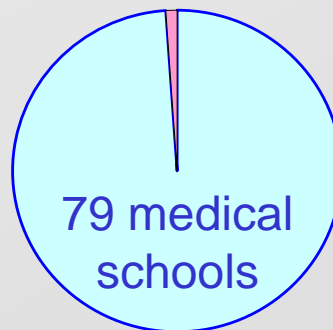
Providing at least 8 compulsory Kampo courses



Kampo clinics for outpatients



FD: Systems for training lecturers organized by medical schools



Establishing Kampo Medicine - 2

First curriculum revision in 10 years

Medical Education Model Core Curriculum
(Ministry of Education, Culture, Sports, Science and Technology)

(Partial revision in December 2007)
March 2001

F Basics of medical care
2 Basic knowledge on medical care
(1) Fundamental principle of
pharmacological treatment
Attainment target:

17) Capable of giving outlines of
Wakan-yaku, traditional Japanese
medicine.



(2010 Revised Version)
March 2011

F Basics of medical care
2 Basic knowledge on medical care
(1) Fundamental principle of
pharmacological treatment
Attainment target:

17) Capable of giving outlines on
characteristics and reality of use of
Wakan-yaku, traditional Japanese
medicine (Kampo preparations).

Excerpt from Medical Education Model Core Curriculum –
Guidelines on Content of Education - Year 2010 Version

Promoting Drug Fostering

Steady progress since the start in FY2004



Double blind tests (DBT) started for all drug fostering formulas based on past achievements

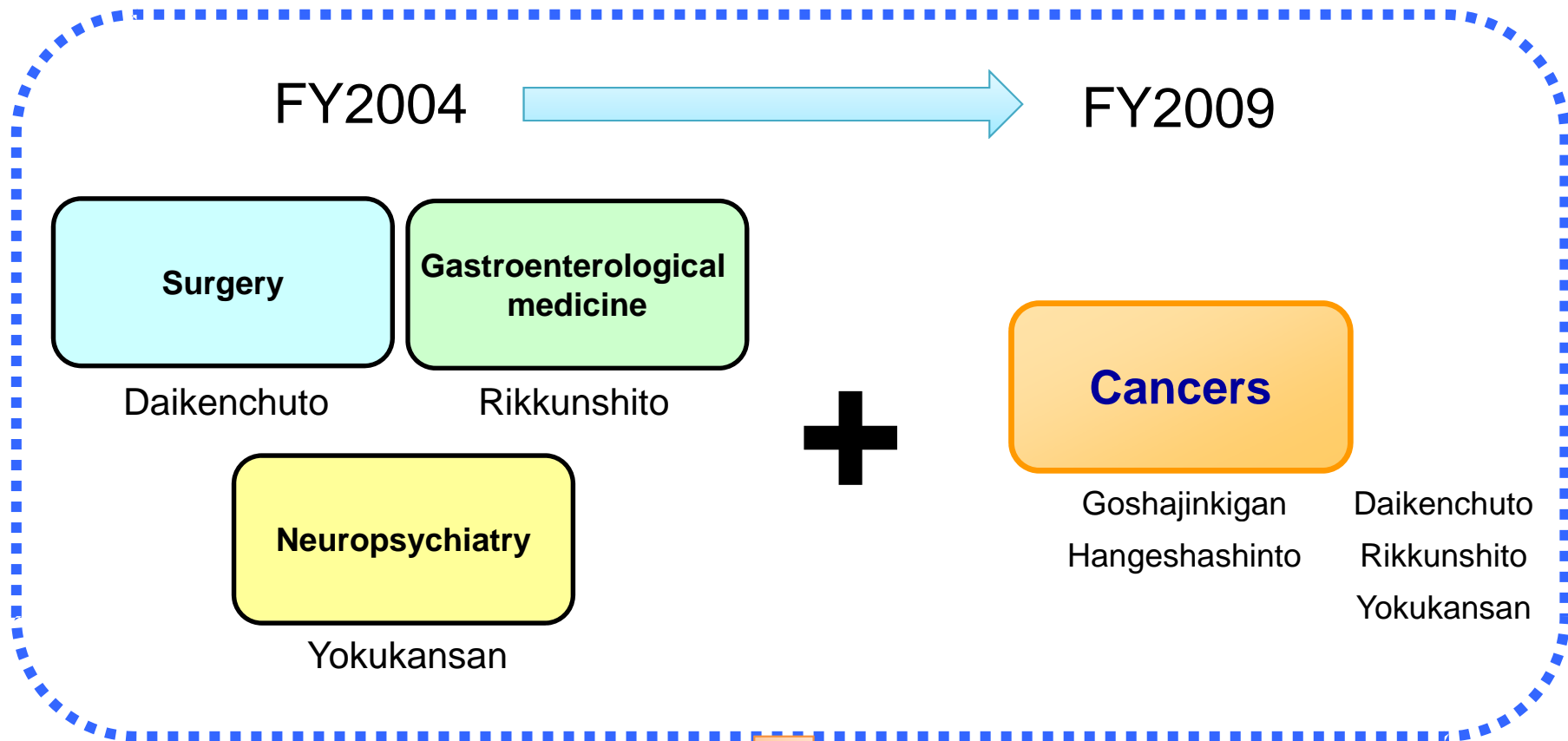
FY2011
DBT for five formulas

FY2009
Addition of two formulas (3+2)

FY2004
Drug fostering started (3 formulas)

“Drug fostering” refers to the processes of examining the recent structure of diseases, focusing on disorders that are difficult to treat with modern drugs but for which Kampo preparations have shown specific results in areas where medical needs are heavy, and establishing evidence (scientific basis) for them.

Expansion of Drug-Fostering Formulas (Fields)



Significance of implementing DBT

- Accumulation of more reliable evidence
- Facilities such as medical school hospitals playing the key role
- Use of scientific research fund (Ministry of Health, Labour and industry) for some of the research

Implementation of DBT for Drug Fostering

Formul a No	Name of research, etc.	Representative institution, number of institutions, etc.	Number of cases as entries	FY2009	FY2010	FY2011				FY2012				FY2013			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
TJ-100 DKT Forum	Colon Team (Clinical Pharmacology) Target: 400 cases	Kitasato University Approx. 50 institutions	317 cases (61 cases) 3/2011	Jan. 2009 – Jun. 2011													
	Hepatic Surgery Team Target: 200 cases	Kushiro Rosai Hospital Approx. 20 institutions	214 cases 3/2011	Feb. 2010 – Jan. 2012													
	Stomach and Esophagus Team Target: 240 cases	Oita University Approx. 30 institutions	11 cases 3/2011	Jan. 2011 – Dec. 2012													
TJ-43	FD Target: 430 cases	Keio University Scientific research fund	-	Feb. 2011 – Sept. 2012													
TJ-54	Schizophrenia Target: 120 cases	Shimane University Scientific research fund	-	Mar. 2011 – Feb. 2012													
	BPSD Target: 140 cases	Tohoku University Scientific research fund	-	Feb. 2011 – Mar. 2013												Analysis. Oct.	
TJ-107	GONE Target: 80 cases	Asahikawa Medical University	-	May 2009 – Oct. 2010													
	GENIUS Target: 310 cases	Kyushu University Scientific research fund	-	Oct. 2010 – Mar. 2013													
TJ-14	Hangesya-C Target: 90 cases	Osaka National Hospital	-	Oct. 2010 – Sept. 2012													
	Hangesya-G Target: 90 cases	Kanagawa Cancer Center	-	Oct. 2010 – Sept. 2012													

- FD: Functional dyspepsia
- GERD: Gastroesophageal reflux disease
- BPSD: Behavioral and Psychological Symptoms of Dementia

- DBT: Double Blind Test
- TJ-100: From the Japanese Foundation for Multidisciplinary Treatment of Cancer (JFMC)
- Others: From UMIN Clinical Trials Registry

Presentations on Kampo in DDW

DDW: Digestive Disease Week in the United States

FY	Site	Number of presentations	Contents
2011	Chicago	21	Rikkunshito: 16 (Basic) Daikenchuto: 5 (Basic)
2010	New Orleans	21	Rikkunshito: 14 (Basic: 8, Clinical: 6) Daikenchuto: 6 (Basic: 3, Clinical: 3) Shakuyakukanzoto: 1 (Clinical)
2009	Chicago	13	Rikkunshito: 10 (Basic: 7, Clinical: 3) Daikenchuto: 3 (Basic)
2008	San Diego	8	Rikkunshito: 8 (Basic: 5, Clinical: 3)
2007	Washington D.C.	3	Rikkunshito: 2 (Basic) Daikenchuto: 1 (Basic)